

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-10 NEA-10 ISO-00 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11
OES-09 SP-02 SS-15 STR-07 ACDA-12 PA-01 LAB-04
SIL-01 /144 W

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R 041830Z AUG 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 8549
INFO AMEMBASSY JIDDA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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EO 11652 NA
TAGS EFIN ECON SA
SUBJECT: SAUDI FINANCE MINISTER VISITS BRAZIL

REFS A. TREASURY 2595 B. BRASILIA 5726 C. JIDDA 5400

1. SUMMARY-SAUDI FINANCE MINISTER ABAL - KHAIL VISITED BRAZIL FOR ONE WEEK, DURING WHICH HE MET WITH PRESIDENT GEISEL AND GOVERNMENT OFFICIALS AND TRAVELED TO SEVERAL CITIES. IN BOTH OFFICIAL MEETINGS AND INTERVIEWS WITH THE PRESS HE REITERATED HIS SUPPORT FOR SETTING OIL PRICES IN TERMS OF DOLLARS AND REFERRED TO SAUDI ARABIA'S COMMITMENT TO MAINTAIN A STABLE SUPPLY OF OIL TO THE WESTERN WORLD. GOB SPOKESMEN BELIEVE VISIT WAS SUCCESSFUL IN CREATING CLOSER RELATIONS WHICH THEY HOPE MAY RESULT IN ECONOMIC BENEFITS FOR BRAZIL OVER THE MEDIUM-TERM.END SUMMARY.

2. MUHAMMAD ABAL-KHAIL, MINISTER OF FIANCE AND ECONOMICS OF SAUDI ARABIA, SPENT ONE WEEK IN BRAZIL (JULY 20-26). THE STATED OBJECTIVE OF HIS TRIP WAS TO GAIN FIRST-HAND PERSONAL KNOWLEDGE OF BRAZIL'S

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ECONOMY AND GOVERNMENT AND PRIVATE SECTOR LEADERS. ABAL-KHAIL WAS ACCCOMPANIED BY FINANCE MINISTRY SECRETARY-GENERAL AL TURUQUE, SAUDI DEVELOPMENT FUND DEPUTY DIRECTOR MAHAMOUN AL-SAID, AND THREE OTHER SAUDI OFFICIALS. ABAL-KHAIL CALLED ON PRESIDENT GEISEL AND SIX GOB MINISTERS (INCLUDING A 5 HOUR SESSION WITH HIS COUNTER-PART, FINANCE MINISTER SIMONSEN). HE MET WITH REPRESENTATIVES OF THE ECONOMIC-FINANCIAL COMMUNITIES OF RIO AND SAO PAULO. IN SAO

PAULO HE ADDRESSED THE ARAB-BRAZILIAN CHAMBER OF COMMERCE AND HE WITNESSED THE BOOMING INDUSTRIAL COMPLEX THAT CHARACTERIZES THAT CITY (THE POPULATION OF THE METROPOLITAN SAO PAULO AREA NEARLY EQUALS THE TOTAL POPULATION OF SAUDI ARABIA). ABAL-KHAIL ALSO VISITED THE STATE OF BAHIA WHERE HE FLEW OVER A HYDROELECTRIC PROJECT (SEE PARA 4) AND INSPECTED A MAJOR PETRO-CHEMICAL INSTALLATION (CAMACARI) THAT JUST BEGAN OPERATIONS.

3. ACCORDING TO GOB FINANCE MINISTRY INTERNATIONAL DIVISION CHIEF ARY PINTO, WHO ESCORTED THE SAUDI FINANCE MINISTER THROUGHOUT HIS VISIT, ABAL-KHAIL REITERATED IN HIS MEETINGS WITH GOB OFFICIALS SAUDI ARABIA'S CONTINUED PREFERENCE FOR PEGGING OIL PRICES IN DOLLARS. HE ALSO ASSURED THE GOB OF HIS GOVERNMENT'S COMMITMENT TO MAINTAIN A STABLE SUPPLY OF OIL TO WESTERN COUNTRIES. THE PRESTIGIOUS JORNAL DO BRASIL HEADLINED AN ARTICLE ON JULY 23 QUOTE SAUDI MINISTER DEFENDS DOLLAR STANDARD END QUOTE. THE ARTICLE STATED THAT THE MINISTER'S DECLARATIONS PRECEDED REPORTS RECEIVED IN BRAZIL OF COMMENTS BY KUWAITI OIL MINISTER ALI KHALIF IN FAVOR OF SHIFTING TO PRICING IN TERMS OF A BASKET OF CURRENCIES.

4. PRESS COVERAGE OF ABAL-KHAIL'S VISIT TO BRAZIL WAS GOOD. CONSISTENT WITH THE "GET ACQUAINTED" THEME OF THE TRIP, THE BRAZILIAN PRESS PUBLISHED BACKGROUND DATA ON SAUDI ARABIA AND ITS DEVELOPMENT PLANS. BIOGRAPHIC INFORMATION ON ABAL-KHAIL WAS ALSO EXTENSIVE, WITH REFERENCES RANGING FROM QUOTE THE MAN OF \$40 BILLION END QUOTE LIMITED OFFICIAL USE

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TO HIS MODEST LIFESTYLE AND BURDENS OF OFFICE IN ESTABLISHING EXPENDITURE PRIORITIES. IN VIEW OF BRAZIL'S TRADE DEFICIT WITH SAUDI ARABIA (IN EXCESS OF \$1 BILLION IN 1977), IT IS NOT SURPRISING THAT PRIVATE SECTOR SPOKESMEN RAISED THE POSSIBILITY OF MORE DIRECT SAUDI CAPITAL FLOWS TO BRAZIL. ABAL-KHAIL REPORTEDLY REPLIED THAT DIRECT FINANCING IS ONE POSSIBILITY THAT WILL BE STUDIED. (TO DATE BRAZIL HAS RECEIVED ONLY ONE LOAN DIRECTLY FROM SAUDI ARABIA, A GOVERNMENT-TO-GOVERNMENT LOAN OF \$50 MILLION APPROVED IN 1977 BY SAMA FOR PARALLEL FINANCING WITH THE IDB OF A DAM

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PROJECT OF THE SAO FRANCISCO HYDROELECTRIC COMPANY--CHESF--IN BRAZIL'S NORTHEAST.) IN GENERAL, ABAL-KHAIL STRESSED THE EXPLORATORY NATURE OF HIS VISIT AND HIS DESIRE FOR CLOSER ECONOMIC TIES WITH BRAZIL, BASED MAINLY ON SAUDI PRIVATE SECTOR INITIATIVES AS THEY GAIN INCREASED AWARENESS OF BRAZIL'S DEVELOPMENT PROJECTS AND ECONOMIC

POSSIBILITIES.

5. THE GOB BELIEVES THE SAUDI FINANCE MINISTER'S VISIT WAS SUCCESSFUL IN INCREASING THE MINISTER'S KNOWLEDGE OF BRAZIL AND IN REVIVING THE BRAZIL-SAUDI MIXED COMMISSION, WHICH HAS LANGUISHED SINCE ITS CREATION IN 1974. PRESS REPORTS, CONFIRMED TO FINATT BY PINTO, STATED THAT THE FINANCE MINISTER WAS PLEASED WITH FULFILMENT OF THE LIMITED OBJECTIVES OF THE TRIP AND SAID HE HOPED IT WILL LEAD TO A VALUABLE EXCHANGE OF INFORMATION AND PERHAPS VISITS OF BUSINESSMEN. FOREIGN MINISTER SILVEIRA WAS MORE OPTIMISTIC AND AID HE EXPECTS INCREASED TRADE BETWEEN THE TWO COUNTRIES. AN UNIDENTIFIED FOREIGN MINISTRY SPOKESMAN WAS QUOTED IN THE PRESS AS FORESEEING SAUDI INVOLVEMENT IN DEVELOPMENT JOINT VENTURES IN

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BRAZIL QUOTE SUCH AS, FOR EXAMPLE, A LARGE IRON ORE PROJECT END QUOTE. PLANNING MINISTER VELLOSO CITED INCREASED BRAZILIAN EXPORTS OF FOOD, MANUFACTURED GOODS, AND CIVIL CONSTRUCTION SERVICES AS PROBABLE RESULTS OF THE SAUDI VISIT. HOWEVER, BOTH THE GOB AND BRAZILIAN PRESS KEPT THE VISIT IN PROPER PERSPECTIVE AND DO NOT HAVE ANY EXAGGERATED EXPECTATIONS OF DRAMATIC INCREASES IN EXPORTS TO SAUDI ARABIA OR DIRECT FINANCIAL ASSISTANCE FROM THAT COUNTRY IN THE SHORT-TERM. A CONSIDERABLE LEARNING PROCESS REMAINS ON BOTH SIDES BUT FROM ALL APPEARANCES ABAL-KHAIL'S VISIT WAS AN IMPORTANT FIRST STEP IN THE DIRECTION OF CLOSER SAUDI-BRAZILIAN ECONOMIC RELATIONS. SAYRE

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